



COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION  
PUBLIC DISCLOSURE

Bank of Houston

[647656 /114837880000]

5115 Main Street  
Houston, Texas 77002

As of  
September 13, 1999

This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

Federal Reserve Bank of Dallas

P. O. Box 655906, Dallas, Texas 75265-5906

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION PUBLIC DISCLOSURE

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## CRA PERFORMANCE ASSESSMENT

### GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of Bank of Houston, Houston, Texas, prepared by Federal Reserve Bank of Dallas, Dallas, Texas, the institution's supervisory agency, as of August 16, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

The bank is rated Satisfactory based on its lending distribution among the various borrower and geographic income levels. Although the bank's average loan-to-deposit ratio is low when compared to peer, as well as similarly situated institutions in its assessment area, the bank's commitment to meeting the needs of its assessment area (AA) is evident in its distribution of loans made. A review of the bank's lending within its AA revealed 95 percent of mortgage loans and 87 percent of motor vehicle loans originated were inside the AA. Furthermore, of the loans made inside the AA, 45 percent of the HMDA loans and 62 percent of the motor vehicle loans were made to low- and moderate-income borrowers. Lending among the geographic income levels reflects a good distribution as 41 percent of mortgage loans and 40 percent of motor vehicle loans were made in low- and moderate-income census tracts. When the bank's capacity to lend and the opportunities available for lending in the AA are considered, the bank's overall level of lending is low. As a result, although borrower and geographic distribution are considered excellent, those categories are rated Meets the Standards for Satisfactory Performance.

## DESCRIPTION OF INSTITUTION

As of June 30, 1999, Bank of Houston had total assets of approximately \$184 million, net loans of \$41.5 million, and shareholders' equity of \$20.4 million. A review of the bank's loan portfolio for the period ending June 30, 1999, reflects the following product mix:

| <u>LOAN PORTFOLIO MIX</u>    | <b>06-30-99</b><br>\$ (000) | <b>% OF</b><br>LOANS | <b>06-30-98</b><br>\$ (000) | <b>% OF</b><br>LOANS |
|------------------------------|-----------------------------|----------------------|-----------------------------|----------------------|
| <b>Real Estate</b>           |                             |                      |                             |                      |
| Construction                 | 336                         | 0.8                  | 459                         | 1.2                  |
| Residential                  | 3,700                       | 8.7                  | 2,884                       | 7.3                  |
| Multifamily                  | 574                         | 1.4                  | 524                         | 1.3                  |
| Commercial                   | 7,347                       | 17.3                 | 8,432                       | 21.2                 |
| Junior Lien Residential      | 549                         | 1.3                  | 586                         | 1.5                  |
| Total Real Estate            | 12,506                      | 29.5                 | 12,885                      | 32.5                 |
| <b>Consumer</b>              |                             |                      |                             |                      |
| Open-End Credit              | 0                           | 0                    | 0%                          | 0                    |
| All Other                    | 16,984                      | 40.1                 | 16,251                      | 41.0                 |
| Total Consumer               | 16,984                      | 40.1                 | 16,251                      | 41.0                 |
| <b>Commercial/Industrial</b> | 12,583                      | 29.7                 | 10,325                      | 26.0                 |
| <b>Other</b>                 | 280                         | 0.7                  | 189                         | 0.5                  |
| <b>Gross Loans</b>           | \$42,353                    | 100.0%               | \$39,650                    | 100.0%               |

As of June 30, 1999, gross loans have grown 6.8 percent in a 12-month period. As shown above, consumer lending remains the largest single loan category with over 40 percent of the bank's lending in consumer-related products. Commercial/Industrial loans represent 29.7 percent and Commercial Real Estate represent 17.3 percent for a combined total of 47 percent of the portfolio. The bank has added home equity lending, a debit card product, and Roth IRA's since the previous consumer affairs examination. Bank of Houston (BOH) does not offer any open-end credit products.

The bank's average lending activity for the second quarter of 1999, based on the number of loans is 88.5 percent for consumer lending and 9.0 percent for commercial loans. By dollar volume, commercial loans comprised 45.5 percent of the loan activity and consumer loans accounted for 41.6 percent. Denials were centered in consumer loans (97 percent of number and 70 percent of the dollar volume), with 43 percent of the volume in automobile requests. Overall, net loans represent a very low 22 percent of total assets and 25 percent of total deposits. Both ratios are well below peer averages of 57 percent and 69 percent, respectively, for the same period.

### Deposit Mix

While total deposits increased 5.7 percent over a 12-month period, the bank's deposit structure and level per category of deposits remains fairly stable with the largest increase in certificates of deposit (CDs) greater than \$100 thousand. Deposits represent 88 percent of average assets with 19.8 percent in demand deposits, 16 percent in CDs less than \$100 thousand, 15 percent in Money Market deposits, 14 percent in NOW accounts, 13 percent in CDs greater than \$100 thousand, and 11 percent in other Savings accounts. The bank's level of demand deposits, NOW accounts, and other Savings exceed its peer group while the other categories are slightly below.

The bank's ability to meet various community credit needs has not been hampered by its capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, or the lending opportunities available in the institution's assessment area. At previous CRA Assessment, conducted as of September 9, 1996, the bank received a Satisfactory rating.

## DESCRIPTION OF HARRIS COUNTY:

### Assessment Area

The bank has expanded its assessment area (AA) since the last examination to encompass all of Harris County. Harris County is the largest of six counties that comprise the Houston, Texas Primary Metropolitan Statistical Area (PMSA). Almost 85 percent of the total population of the Houston PMSA resides in Harris County. The other counties in the Houston PMSA are Chambers, Fort Bend, Liberty, Montgomery, and Waller. The Houston PMSA, along with the Galveston-Texas City and Brazoria PMSAs, constitute the Houston-Galveston-Brazoria Consolidated Metropolitan Statistical Area (CMSA). The following table lists the bank's two banking offices in Harris County:

| PMSA           | COUNTY       | ADDRESS          | CITY, STATE | ZIP   | CT     |
|----------------|--------------|------------------|-------------|-------|--------|
| Houston – 3360 | Harris – 201 | 5115 Main Street | Houston, TX | 77002 | 316.01 |
|                |              | 8002 Kirby       | Houston, TX | 77054 | 331.10 |

The bank's main office is located at 5115 Main Street, Houston, Texas, in a low-income census tract. The population of the tract is 2,375, including 845 households and 403 families, who on average earn only 38.8 percent of the Metropolitan Statistical Area (MSA) median family income. The Kirby Branch is located in a moderate-income census tract with a total population of 7,150. There are 3,583 households and 1,476 families earning 67.8 percent of the MSA median. Both bank locations offer ATMs, drive-thru service, extended lobby hours on Fridays and Saturday morning drive-thru service. In addition, the Kirby Branch lobby is open on Saturday mornings.

Houston, Texas is ranked as the fourth largest city in the United States and the greater metropolitan of area of Houston is ranked tenth, according to data from the 1990 census. The population of Houston proper is estimated at approximately 1.8 million. Located approximately 50 miles from the Gulf of Mexico, the city is often referred to as the "Bayou City" and is home to many oil and natural gas-related industries. In recent years, however, the city's economy has diversified and today in addition to the oil and gas and petroleum refining industry, is home to health-related industries, technology, import and export, manufacturing and distribution and many other industries. Corporate headquarters for 15 of the Fortune 500 companies are located in Houston. Because of the area's distribution facilities, many international companies also conduct business from the area because of the access via the Port of Houston. The Port ranks eighth in the world in terms of shipping tonnage and first in the United States in terms of foreign tonnage. The Houston Ship Channel is a 52-mile inland waterway connecting Houston to Galveston Bay, the Gulf Intracoastal Waterway, the Gulf of Mexico, and ultimately, the major shipping lanes of the world. The Port of Houston is well equipped to transfer a variety of materials with over 100 wharves and in excess of 60 steamship lines in operation. Numerous free trade zones exist for duty-free transfer of cargo between ships. The city operates under a Mayor-Council form of government comprised of the Mayor and fourteen council members and a City Controller.

|                                      |
|--------------------------------------|
| <b>POPULATION AND INCOME SUMMARY</b> |
|--------------------------------------|

The United States Census Bureau divides metropolitan areas into statistical subdivisions called census tracts. Various information, including population, race, household composition, education, employment, and income statistics are available from the Census Bureau for each tract. The U.S. Census Bureau estimated the 1998 population of Harris County at 3,206,063. The county has gained almost 388,000 residents since 1990, an actual increase of 13.8 percent. The 1999 HUD-adjusted Median Family Income for the Houston PMSA is \$54,100, a 7.3 percent increase over the 1998 figure of \$50,400. The income ranges are as follows:

| Income Level    | 1998                 | 1999                 |
|-----------------|----------------------|----------------------|
| Low income      | \$0 - <\$25,200      | \$0 - <\$27,050      |
| Moderate income | \$25,200 - <\$40,320 | \$27,050 - <\$43,280 |
| Middle income   | \$40,320 - <\$60,480 | \$43,280 - <\$64,920 |
| Upper income    | \$60,480 and up      | \$64,920 and up      |

As noted in the following table, there are 708,831 families in the AA. Only 8.1 percent of total families reside in low-income census tracts. Those living in moderate-income tracts total 26.9 percent and the remaining 65 percent are equally divided between the middle- and upper-income census tracts in the AA. The AA consists of 87 low-income census tracts (73 of which are populated), 179 moderate-income tracts, 169 middle-income tracts, and 147 upper-income tracts.

| <b>DISTRIBUTION OF POPULATION BY CENSUS TRACT INCOME LEVEL</b> |              |               |                |               |                  |               |
|--|--------------|---------------|----------------|---------------|------------------|---------------|
| Census Tract<br>Income Level                                   | Total Tracts |               | Total Families |               | Total Population |               |
|  | #            | %             | #              | %             | #                | %             |
| Low income*  | 73           | 12.8          | 57,716         | 8.1           | 255,690          | 9.1           |
| Moderate income  | 179          | 31.5          | 190,331        | 26.9          | 809,142          | 28.7          |
| Middle income  | 169          | 29.8          | 230,890        | 32.6          | 911,859          | 32.3          |
| Upper income   | 147          | 25.9          | 229,894        | 32.4          | 841,508          | 29.9          |
| <b>TOTAL</b>   | <b>568</b>   | <b>100.0%</b> | <b>708,831</b> | <b>100.0%</b> | <b>2,818,199</b> | <b>100.0%</b> |

\*Number of low-income tracts excludes 14 tracts with 0 population and/or housing units.

The majority of families in the AA (40 percent) are classified as upper income. Low-income families account for 23.2 percent of the AA, 20 percent are middle-income and 16.8 percent are moderate-income families. Half of the low-income families or 12.5 percent of total families are living below the poverty level. Furthermore, 13.7 percent of households are below the poverty level. The following table shows the distribution of the 708,831 families in the assessment area by census tract income level:

| <b>DISTRIBUTION OF FAMILIES BY CENSUS TRACT INCOME LEVEL</b> |                |               |                 |               |                |               |                |               |
|--|----------------|---------------|-----------------|---------------|----------------|---------------|----------------|---------------|
| Tract Income<br>Level  | Low Income     |               | Moderate Income |               | Middle Income  |               | Upper Income   |               |
|  | #              | %             | #               | %             | #              | %             | #              | %             |
| Low  | 33,789         | 20.6          | 11,316          | 9.5           | 7,819          | 5.5           | 4,792          | 1.7           |
| Moderate   | 70,695         | 43.1          | 45,445          | 38.1          | 38,146         | 26.7          | 36,045         | 12.8          |
| Middle   | 43,183         | 26.3          | 42,471          | 35.6          | 58,157         | 40.7          | 87,079         | 30.8          |
| Upper  | 16,484         | 10.0          | 20,098          | 16.8          | 38,612         | 27.1          | 154,700        | 54.7          |
| <b>TOTAL</b>   | <b>164,151</b> | <b>100.0%</b> | <b>119,330</b>  | <b>100.0%</b> | <b>142,734</b> | <b>100.0%</b> | <b>282,616</b> | <b>100.0%</b> |

Those who speak English not well or at all are a factor in the AA at 4.3 percent, compared to 3.7 percent statewide. Finally, the AA population is somewhat younger than the state average, with only 7 percent aged 65 and over, compared to 10.1 percent for the state.

## **HOUSING CHARACTERISTICS AND AFFORDABILITY SUMMARY**

There are 1,173,808 total housing units in the AA. Owner occupancy in Harris County, at 45.5 percent, is the lowest of all eight counties in the Houston-Galveston-Brazoria CMSA. Within the Houston PMSA, owner-occupancy ranges from 57.6 percent in Waller County to 69.5 percent in Chambers County. The state owner-occupancy percentage is 52.7 percent. Rental units comprise 42 percent of all housing units in Harris County. This figure is substantially higher than the rest of the Houston PMSA, which ranges from 16.4 percent to 26.3 percent. Finally, the AA vacancy rate is 12.6 percent, compared to a range of 8.6 percent to 16.1 percent for the PMSA and 13.4 percent statewide.

The median housing value is \$62,567 and median gross rent is \$405. Housing is less affordable in the AA compared to all other counties in the PMSA except Fort Bend and Montgomery Counties, which have median values of \$70,725 and \$68,938, respectively. Using 1990 Census data, if a moderate-income person at the upper end of the income range were to purchase a home, he or she can expect to pay \$40,007, which is considerably lower than the median housing value of \$62,567. Based on a 30-year mortgage at 7.5 percent, and a down payment of 5 percent, the monthly principal and interest payments would be \$265.75, which is about \$100 lower than the median gross rent of \$364.00. If an additional \$200 per month is added for taxes and insurance, the total of \$465.75 is higher than the amount a moderate-income person would pay for rent in a moderate-income census tract. Therefore, the ability to own rather than rent may be cost-prohibitive for moderate-income individuals in the bank's AA. Fifty-four percent of AA housing units are single-family, 33.5 percent are five or more family units, and 8.9 percent are 2-4 family units. Low-income tracts contain 9.6 percent of AA housing units, 28.7 percent of housing units are in moderate-, 32.6 percent in middle-, and 32.4 percent in upper-income tracts. The distribution of the 533,891 owner-occupied units by tract is 5.8% low, 22.6 percent moderate, 32.3 percent middle, and 39.3 percent upper.

The median age of the AA housing stock is 22 years, with only 10.9 percent of units built prior to 1950. The oldest homes are located in moderate income tracts, where the median age is 35 years, compared to 30, 24 and 25 years in the low, middle and upper income tracts, respectively. The concentration of older homes in low- and moderate-income census tracts could indicate a need for home improvement or rehabilitation loans in those census tracts.

## **ECONOMIC SUMMARY**

According to Regional Employment and Income System (REIS) employment figures for 1995, total full- and part-time employment in the AA was 1,985,043, an increase of 8.7 percent since 1990. The Services industry dominated employment at 32.1 percent, followed by 16 percent Retail Trade, 11 percent Government, 8.9 percent Manufacturing, 7.4 percent Finance, Insurance and Real Estate, 7 percent Construction, and 6.7 percent Transportation and Public Utilities. The financial industry saw the biggest decline in employment, dropping 9.8 percent over the five-year period, while Transportation and Public Utilities gained 14.1 percent, the Government sector and Retail Trade gained 13.3 percent each, and Services gained 13 percent. Although only a small segment of the economy, the Agricultural Services, Forestry and Fishing industry grew 26.5 percent during the period.

According to the Texas Workforce Commission, the unemployment rate for the state was 4.5% as of March 1999. This is the lowest rate seen in recent years. Harris County posted a 4.1% unemployment rate, and the Houston PMSA placed was in the middle of the 26 MSAs in the state ranked by unemployment rate, tied for 13<sup>th</sup> place at 4%.

According to Dun & Bradstreet, there are a total of 82,659 business establishments in the AA. The distribution of businesses by census tract income level is as follows:

| Census Tract Income Level | Business Establishments |        |
|---------------------------|-------------------------|--------|
|                           | #                       | %      |
| Low Income                | 5,617                   | 6.8    |
| Moderate Income           | 22,983                  | 27.8   |
| Middle Income             | 24,141                  | 29.2   |
| Upper Income              | 29,918                  | 36.2   |
| TOTAL                     | 82,659                  | 100.0% |

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

### LOAN TO DEPOSIT RATIO

The bank's average loan-to-deposit ratio for the eleven quarters since the previous examination is 23.8 percent. As of June 30, 1999, the bank's net loans represented 24.71 percent of total deposits, compared to the unadjusted national peer ratio of 68.33 percent. Four similarly situated institutions in the AA had ratios ranging from 34.98 percent to 70.19 percent. In light of the bank's performance context, which includes the bank's capacity to lend, the capacity of other similarly situated banks to lend in the AA, and economic factors present and lending opportunities available in the bank's AA, the loan-to-deposit ratio is considered low and does not meet the standards for a satisfactory rating.

The average ratio for banks with asset sizes between \$100 and \$200 million is 67.41 percent. To get a more meaningful idea of the bank's lending, it was thought that an analysis of banks located in relatively close proximity to BOH would be helpful. A review of banks within three miles of BOH yielded only branches of financial institutions located in the area. This analysis was therefore not feasible since access to loan-to-deposit ratios for the branches of banks was not available.

The bank's high level of consumer lending impacts its loan-to-deposit ratio because it takes more consumer loans, given their typically small size, to effect an increase in a bank's ratio. Other banks with considerable percentages of their lending in consumer loans had an average ratio of 50.65 percent. These banks range in asset size from \$34 million to \$391 million. The lowest ratio was 28.29 percent and the highest was 73.63 percent. Management indicated \$2 million in public funds and a few large depositors who do not borrow have affected the loan-to-deposit ratio adversely. However, BOH's ample amount of investments totaling \$124 million versus loans of \$41.5 million appears to have a greater impact on the bank's loan-to-deposit ratio. The significant amount of investments indicates the bank has considerable remaining capacity to lend in its AA.

The bank's investments-to-assets ratio is 67 percent. Six other banks with significant portions of their portfolios in consumer lending have an average investments-to-assets ratio of 46 percent. Five of the banks analyzed are located outside the city of Houston. One bank located in Houston has the lowest investment-to-assets ratio at seven percent, indicating a demand for loans in the AA. The highest ratio is 64 percent. With the AA's strong economy, the continued need for loans as indicated by community contacts, and the high level of investments held by the bank are considered, the bank's ratio is not reasonable and fails to meet the standards for a satisfactory rating.

### LENDING IN ASSESSMENT AREA

A sample of 99 motor vehicle loans originated during the six-month period of January, 1999 through June, 1999 revealed a majority of the loans extended were located in the bank's AA. Because the bank has chosen Harris County as its AA, it is expected that a majority of the loans would be made within its AA. In addition to motor vehicle loans, 171 loans reported on the bank's 1997, 1998, and six months' of 1999's Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR) were also included in the review. The percentages for loans made inside the AA were higher for these HMDA loans. The charts below detail the loans originated inside and outside the AA:

| DISTRIBUTION OF HMDA LENDING |                        |       |         |         |                         |      |         |         |
|------------------------------|------------------------|-------|---------|---------|-------------------------|------|---------|---------|
| Loan Type                    | Inside Assessment Area |       |         |         | Outside Assessment Area |      |         |         |
|                              | #                      | %     | \$000's | % of \$ | #                       | %    | \$000's | % of \$ |
| Home Purchase                | 30                     | 96.8  | 1,246   | 99.0    | 1                       | 3.2  | 12      | 1.0     |
| Home Improvement             | 113                    | 94.2  | \$1,000 | 95.0    | 7                       | 5.8  | 51      | 4.9     |
| Refinancing                  | 13                     | 100.0 | \$376   | 100.0   | 0                       | 0.0  | 0       | 0.0     |
| Multifamily Housing          | 7                      | 100.0 | \$571   | 100.0   | 0                       | 0.0  | 0       | 0.0     |
| TOTAL                        | 163                    | 95.3% | \$3,193 | 98.1%   | 8                       | 4.7% | \$63    | 1.9%    |

| DISTRIBUTION OF MOTOR VEHICLE LOANS |                        |     |           |         |                         |     |           |         |
|-------------------------------------|------------------------|-----|-----------|---------|-------------------------|-----|-----------|---------|
| Loan Type                           | Inside Assessment Area |     |           |         | Outside Assessment Area |     |           |         |
|                                     | #                      | %   | \$000's   | % of \$ | #                       | %   | \$000's   | % of \$ |
| Motor Vehicle                       | 86                     | 87% | \$773,506 | 84%     | 13                      | 13% | \$152,204 | 16%     |

## LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The consumer loan analysis consisted of analyzing borrower income as a percentage of the Harris County Median Family Income (MFI) for 1998. The following chart details income limits for low-, moderate-, middle-, and upper-income individuals.

| 1998 HARRIS COUNTY MEDIAN FAMILY INCOME<br>\$50,400 |                              |                   |
|---|------------------------------|-------------------|
| INCOME CATEGORY                                     | INCOME RANGE AS A PERCENT OF | INCOME RANGE      |
| LOW-INCOME  | 0 – 50%                      | \$0<\$25,200      |
| MODERATE  | 50 – 80%                     | \$25,200<\$40,320 |
| MIDDLE-INCOME                                       | 80 – 120%                    | \$40,320<\$60,480 |
| UPPER-INCOME  | 120% and over                | \$60,480 and over |

An analysis of the loan distribution among the various income levels is detailed on the following charts. The bank's distribution of loans in its AA by borrower income meets the standards for satisfactory performance and is considered reasonable. Because BOH's level of lending is limited when compared to its capacity to lend, coupled with the credit needs in the AA, this category is not rated exceeds expectations even though the percentages surpass the AA's percentages for low- and moderate-income families.

| DISTRIBUTION OF HMDA LOANS BY BORROWER INCOME LEVEL |                     |      |      |      |      |      |      |
|---|---------------------|------|------|------|------|------|------|
| Borrower Income Level                               | Percent of Families | 1997 |      | 1998 |      | 1999 |      |
|   |                     | #    | %    | #    | %    | #    | %    |
| Low income  | 23.2                | 19   | 24   | 12   | 21   | 6    | 22   |
| Moderate income                                     | 16.8                | 18   | 23   | 12   | 21   | 7    | 26   |
| Middle income                                       | 20.1                | 9    | 12   | 13   | 22   | 3    | 11   |
| Upper income  | 39.9                | 23   | 29   | 13   | 22   | 10   | 37   |
| Income N/A  | ---                 | 9    | 12   | 8    | 14   | 1    | 4    |
| TOTAL   | 100.0%              | 78   | 100% | 58   | 100% | 27   | 100% |

| DISTRIBUTION OF MOTOR VEHICLE LOANS BY BORROWER INCOME |                     |                     |      |
|--|---------------------|---------------------|------|
| Borrower Income Level                                  | Percent of Families | Motor Vehicle Loans |      |
|  |                     | #                   | %    |
| Low income   | 23.2                | 24                  | 34   |
| Moderate income  | 16.8                | 20                  | 28   |
| Middle income  | 20.1                | 18                  | 25   |
| Upper income   | 39.9                | 9                   | 13   |
| TOTAL*   | 100.0%              | 71                  | 100% |

\*Excludes 15 loans for which income information was not available.

Low-income and moderate-income families in the AA account for approximately 23 and 17 percent of the population, respectively. As the charts above illustrate, the bank's motor vehicle loans exceed the levels for the population. The average mortgage lending for the three years closely approximates or equals the composition of the population, as 22 percent and 23 percent of the loans were made to low- and moderate-income borrowers, respectively. The bank's performance in this category is acceptable.

## GEOGRAPHIC DISTRIBUTION OF LOANS

As discussed previously, the bank's AA is comprised of 73 populated low-income census tracts and 179 moderate-income census tracts. Geographic data from the AA also indicates that the population is relatively evenly distributed among moderate-, middle-, and upper-income census tracts. Few people reside in the low-income census tracts (8.1 percent). Therefore, the level of lending is expected to be higher among the moderate-, middle-, and upper-income tracts, than the lending in low-income census tracts. The chart below identifies the distribution of census tracts within the AA.

| Income Category | Number of C.T.'s | Percent of Total C.T.'s |
|-----------------|------------------|-------------------------|
| Low-Income      | 87               | 14.9                    |
| Moderate-Income | 179              | 30.8                    |
| Middle-Income   | 169              | 29.0                    |
| Upper-Income    | 147              | 25.3                    |
| Total           | 582              | 100%                    |

A review of the bank's distribution of loans in its AA among low-, moderate-, middle-, and upper-income geographies was performed on the sampled loans. The analysis of loan distribution among the various census tracts is detailed below for each income category by loan type.

| DISTRIBUTION OF HMDA LOANS BY CENSUS TRACT INCOME LEVEL BY YEAR |                 |      |      |      |      |      |      |
|---|-----------------|------|------|------|------|------|------|
| Borrower Income Level   | Owner Occupancy | 1997 |      | 1998 |      | 1999 |      |
|   |                 | #    | %    | #    | %    | #    | %    |
| Low income  | 5.8             | 14   | 18   | 11   | 19   | 8    | 30   |
| Moderate income   | 22.6            | 32   | 41   | 25   | 43   | 10   | 37   |
| Middle income   | 32.3            | 15   | 19   | 14   | 24   | 6    | 22   |
| Upper income  | 39.3            | 17   | 22   | 8    | 14   | 3    | 11   |
| TOTAL   | 100.0%          | 78   | 100% | 58   | 100% | 27   | 100% |

| DISTRIBUTION OF HMDA LOANS BY CENSUS TRACT INCOME LEVEL BY PRODUCT |                 |               |      |                  |      |             |       |             |      |            |      |
|--|-----------------|---------------|------|------------------|------|-------------|-------|-------------|------|------------|------|
| Tract Income Level   | Owner-Occupancy | Home Purchase |      | Home Improvement |      | Refinancing |       | Multifamily |      | Total HMDA |      |
|  |                 | #             | %    | #                | %    | #           | %     | #           | %    | #          | %    |
| Low  | 5.8             | 9             | 30   | 18               | 16%  | 3           | 23.07 | 3           | 43   | 33         | 20   |
| Moderate   | 22.6            | 10            | 33   | 52               | 46%  | 2           | 15.38 | 3           | 43   | 67         | 41   |
| Middle   | 32.3            | 6             | 20   | 22               | 19%  | 6           | 46.15 | 1           | 14   | 35         | 22   |
| Upper  | 39.3            | 5             | 17   | 21               | 19%  | 2           | 15.38 | 0           | 0    | 28         | 17   |
| TOTAL  | 100.0%          | 30            | 100% | 113              | 100% | 13          | 100%  | 7           | 100% | 163        | 100% |

| <b>DISTRIBUTION OF MOTOR VEHICLE LOANS BY CENSUS TRACT INCOME</b> |                            |                             |             |
|---|----------------------------|-----------------------------|-------------|
| <b>Census Tract<br/>Income Level</b>                              | <b>Percent of Families</b> | <b>Motor Vehicle Sample</b> |             |
|   |                            | <b>#</b>                    | <b>%</b>    |
| Low income  | 8.1%                       | 18                          | 21          |
| Moderate income   | 26.9%                      | 16                          | 19          |
| Middle income   | 32.6%                      | 33                          | 38          |
| Upper income  | 32.4%                      | 19                          | 22          |
| <b>TOTAL</b>  | <b>100.0%</b>              | <b>86</b>                   | <b>100%</b> |

As the distribution charts above illustrate, the bank's performance with regard to HMDA lending is especially notable given the owner-occupancy percentages in the AA and the percentages of people residing in low- and moderate-income census tracts. Furthermore, the bank's level of lending for motor vehicles also exceeds the population level within low- and moderate-income census tracts. Based on the bank's level of lending and the perceived opportunities for increased lending, the bank's performance is considered adequate for this category. There are no apparent or unexplainable gaps in the loan distribution among the census tracts.

### **RESPONSE TO COMPLAINTS**

The bank has not received any written CRA performance-related complaints since the last examination.

### **COMPLIANCE WITH ANTIDISCRIMINATION LAWS (ECOA, FHA, OR HMDA)**

No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.